



Agri Trends: Livestock Report

El Nino conditions have put pressure on Weaner Calf prices

Beef: Local carcass prices have moved sideways since the start of the year but have edged up by around 8% from the lows apparent in the third quarter of 2023. We attribute this upward movement to improvement in export prospects. On the local front, demand remains subdued with the outlook for notable interest rate cuts becoming increasingly dim. Weaner calf prices, in turn, have trended lower as El Nino affected grazing conditions and the price of feed.

Mutton: Both slaughter lamb and mutton prices remain subdued. This is due to the constrained income of local consumers weighing on demand. Subdued lamb prices in global markets are also transmitted to the local context. Traditionally seasonal trends have allowed for South African lamb and mutton prices to increase during winter months, usually peaking in July. This was underpinned by higher exports during these months. This year, depressed global prices could counter this trend.

Pork: Since the start of the year, local porker prices followed a downward trend which seems to have bottomed out in February and has gained momentum during March and over the Easter period. Our view is that this is due to lower supply as a result of pressure on profitability indicators due to higher feed costs.

Poultry: IQF pieces have been on a downward trend since the start of the year. This is in response to firm local supply, where local industry players mitigated the effects of Avian Influenza in 2023, by importing fertile eggs. Global prices are also lower than the corresponding time last year due to reduced AI outbreaks. This lower price trend has transmitted to local markets given the substantial share of local demand that is serviced through imports.

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Beef market trends

International beef market.

Average global beef prices are on an increasing trend due to reduced supplies from key producers such as the US combined with robust import demand from key importing regions such as the Middle East and China. Lower trending grain prices could provide room for prices to soften over the year.

	R/USD	R/NZD	US beef carcass equivalent USD/cwt	AMIE carcass import parity price for beef trimmings (R/kg)
Price	18.91	11.19	464.9	No trade
w/w	0.4%	0.0%	-0.4%	-%
m/m	1.4%	-3.0%	1.3%	-%
y/y	4.0%	-1.5%	21.0%	-%

Local beef market

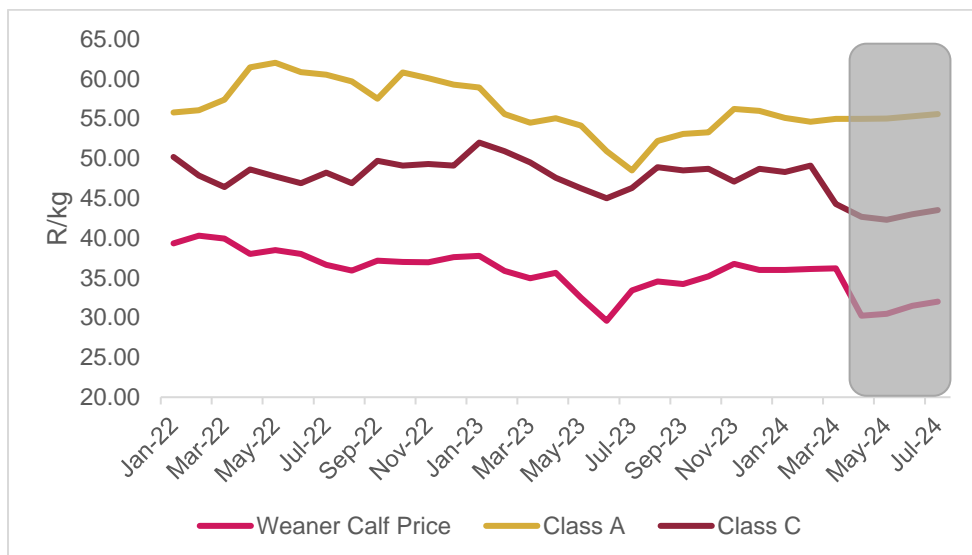
Local carcass prices have moved sideways since the start of the year but have edged up by around 8% from the lows apparent in the third quarter of 2023. We attribute this upward movement to improvement in export prospects. On the local front, demand remains subdued with the outlook for notable interest rate cuts becoming increasingly dim. Weaner calf prices, in turn, have trended lower as El Nino affected grazing conditions and the price of feed.

	Class A (R/kg)	Class C (R/kg)	Beef contract price (includes hides) (R/kg)	Weaner calf (R/kg)
Price	54.97	42.66	54.97	30.24
w/w	0.0%	-0.9%	0.0%	-0.8%
m/m	0.1%	-5.6%	0.1%	-4.0%
y/y	-0.2%	-10.6%	-1.0%	-14.3%

Outlook

Seasonal price trends suggest that weaner calf and carcass prices follow a downward trend during the second quarter of the year. This was amplified during March due to El Nino conditions. Our view is that carcass and weaner calf prices will trade largely sideways over the coming months due to two divergent trends. In terms of carcass prices, local consumer income is likely to become more constrained over the coming months as oil prices rise and municipal rates increase in July. This will weigh on prices. In contrast to this is increased export prospects which could gain traction towards the end of the year and result in price support. For weaner calves, good rains in April could also improve winter grazing conditions which would limit over-supply and further drastic price declines, over the months to come.

Figure 1: Local beef and weaner calf prices



*Area in grey represents Absa AgriBusiness forecasts

Sheep market trends

International sheepmeat market

Strong supply out of Oceania is weighing on average global sheep meat prices. Analysts note that exports out of Australia are still notably exceeding seasonal levels. This is in response to hot and dry weather associated with the current El Nino event which affected grazing capacity and feed costs in Australia.

	R/NZD	NZ lamb price (NZD/kg)	NZ ewe price (NZD/kg)	Import parity NZ lamb (R/kg)
Price	12.0	6.03	2.50	67.45
w/w	3.2%	0.0%	2.0%	0.0%
m/m	3.2%	0.0%	6.1%	-3.0%
y/y	6.1%	-11.0%	-17.2%	-18.4%

Local sheepmeat market

Both slaughter lamb and mutton prices remain subdued. This is due to the constrained income of local consumers weighing on demand. Subdued lamb prices in global markets are also transmitted to the local context. Traditionally seasonal trends have allowed for South African lamb and mutton prices to increase during winter months, usually peaking in July. This was underpinned by higher exports during these months. This year, depressed global prices could counter this trend.

	Class A2/A3 (R/kg)	Class C (R/kg)	Feeder lamb (R/kg)	Dorper skin (R/skin)	Merino skin (R/skin)
Price	81.8	52.41	40.53	37.62	46.57
w/w	1.0%	2.4%	6.3%	1.0%	-1.3%
m/m	-0.7%	-1.7%	6.3%	9.2%	-2.3%
y/y	-2.6%	-10.0%	5.1%	-35.1%	-15.3%

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Outlook

As with beef, we expect prices to trade sideways over the coming months. Local demand is expected to remain constrained but global prices could normalise as the effect of El Nino in Oceania dissipates. This presents some upward scope for global prices which would also filter through to local markets.

Figure 2: Local sheep and feeder lamb prices



*Area in grey represents Absa AgriBusiness forecasts

Pork market trends

International pork market

Higher supplies in Western Europe were expected to weigh on prices during the end of the first quarter. EU prices however remained firm as a result of strong Easter demand. In contrast to this, pork prices in China have followed a declining trend. This is underpinned by a substantial expansion in its pork herd compared to pre-ASF levels. In response to this, the Chinese government has instituted limits on the size of the breeding herd in China. Analysts however note that an over-capacity in pork breeding is likely to weigh on prices well into the second quarter.

	R/USD	US pork carcass price (USD/cwt)	US import parity rib (R/kg)	US import parity ham (R/kg)
Price	18.91	99.62	81.50	43.81
w/w	0.4%	2.5%	-1.4%	6.5%
m/m	1.4%	9.6%	2.6%	19.3%
y/y	4.0%	26.7%	48.2%	40.0%

Local pork market

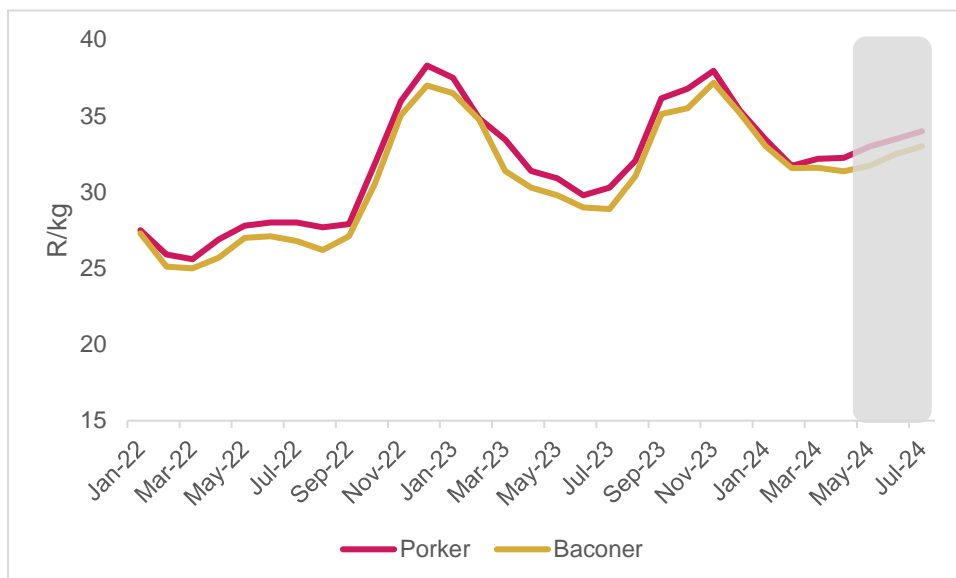
Since the start of the year, local porker prices followed a downward trend which seems to have bottomed out in February and has gained momentum during March and over the Easter period. Our view is that this is due to lower supply as a result of pressure on profitability indicators due to higher feed costs.

	Porker (R/kg)	Baconer (R/kg)
Price	32.52	31.36
w/w	2.2%	-0.9%
m/m	1.4%	-0.7%
y/y	-0.6%	3.7%

Outlook

Historical seasonal trends suggest that pork prices could follow an increasing trend during the next three months. This year we expect the price increases to occur at a slightly more modest pace due to red meat and chicken prices remaining stable.

Figure 3: Local porker and baconer prices



*Area in grey represents Absa AgriBusiness forecasts

Poultry market trends

International poultry markets

Reduced Avian Influenza outbreaks have allowed for a rebound in poultry production around the globe. Despite this, prices have remained firm underpinned by strong import demand. As interest rates around the globe are looking to stay higher for longer, more affordable meat such as poultry and pork are likely to benefit from robust demand.

	R/USD	US MDM fresh (USD/lb.)	AMIE EU leg quarters (R/kg)
Price	18.91	26.35	No Trade
w/w	0.4%	-2.9%	-
m/m	1.4%	-2.0%	-
y/y	4.0%	-16.5%	-

Local poultry market

IQF pieces have been on a downward trend since the start of the year. This is in response to firm local supply, where local industry players mitigated the effects of Avian Influenza in 2023, by importing fertile eggs. Global prices are also lower than the corresponding time last year due to reduced AI outbreaks. This lower price trend has transmitted to local markets given the substantial share of local demand that is serviced through imports.

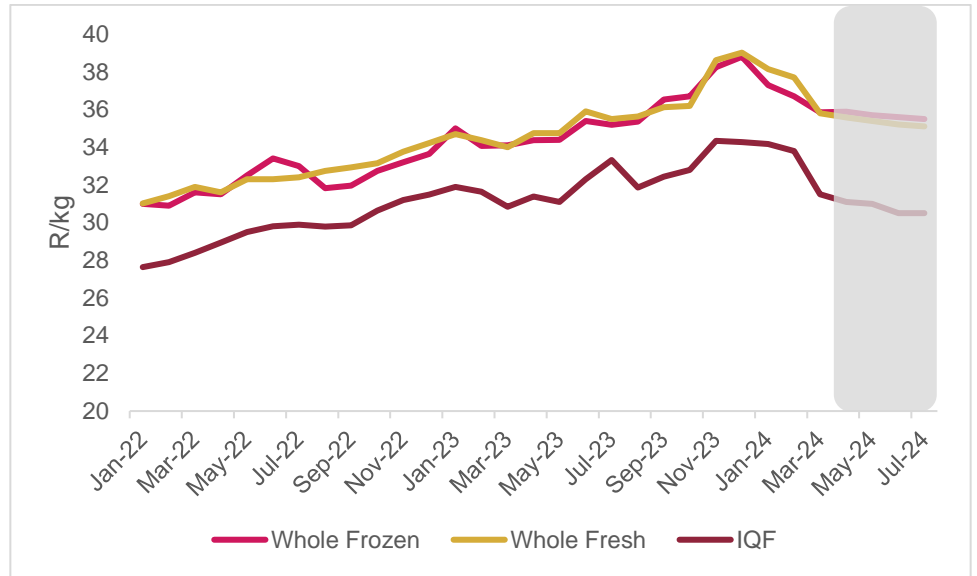
	SA whole bird, frozen (R/kg)	SA whole bird, fresh (R/kg)	SA individually quick frozen (R/kg)
Price	35.89	35.59	31.10
w/w	-0.2%	-0.1%	-0.4%
m/m	3.2%	-0.3%	-0.2%
y/y	7.2%	3.8%	-2.2%

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Outlook

We expect chicken prices to move sideways over the next three months. Although global prices are following a downward trend, local cost pressures in the value chain could limit the degree to which the local trend follows suit.

Figure 4: Local chicken prices



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